

HOUSE BUDGET COMMITTEE

Democratic Caucus

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Bad versus Worse: Comparison of House and Senate Republican Budget Plans for Fiscal Year 2004

This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.

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Overview

The Congress confronts a choice between two profoundly flawed alternative budget resolutions in the upcoming House-Senate conference. Like the President's budget, the Republican budgets in the House and Senate make deep cuts in vital services to partly pay for their oversized tax cuts. The House Republican budget endorses virtually in full the President's massive \$1.4 trillion in tax cuts, which equal in size those that were enacted in 2001 and that led to the dissipation of the budget surpluses of the 1990s and the return of large deficits. To help offset those tax cuts, the House Republican budget assumes \$265 billion in cuts to mandatory programs, none of which was included in the President's budget or the Senate Republican budget. In addition, the House Republican budget cuts domestic appropriations by \$244 billion below the level of current services and \$115.3 billion below the funding levels in the President's budget.

These spending cuts affect core government functions: Medicare; Medicaid; medical care, disability benefits, and pensions for veterans; education, including higher education student loans; federal employee pensions and health insurance; agriculture; and the environment, among others. House Republicans have already repudiated many of those spending cuts, through colloquies on the House floor and through letters that indicate that the cuts will never occur. Even with these unrealistic and unwise spending cuts, the House Republican budget will not bring the budget back to unified balance before fiscal year 2012. If the spending cuts are not enacted, the Republican tax cuts will lead to larger deficits and an increasing debt tax that future generations of Americans will be forced to pay.

Meanwhile, the Senate-passed resolution was slightly improved through amendments on the floor, but it remains badly flawed. It achieves balance by 2011, but only because of floor amendments that cut the President's "growth package" in half, and reduced other tax cuts as well. Senate Republicans never proposed the mandatory spending reductions that were such an important part of the House Republican budget, and Senate floor amendments restored some of the proposed cuts to 2004 appropriations for education, workforce training, health, transportation, and homeland security.

The Senate budget was also amended on the floor to provide a reserve to pay for at least a part of the cost of the war in Iraq. However, those amendments corrected funding shortfalls for only one year, and the Senate budget assumes even larger reductions in future year appropriations — including a lower level for defense — than the House resolution and the President's budget. Many observers of the Congress believe that the claimed future appropriations savings in both resolutions are so large as not to be credible.

The Congress did not need to face this unpalatable choice. The House Democratic budget alternative surpassed the House and Senate resolutions (and the President's budget) in every respect important to the American people. The House Democratic budget protected key services from cuts and made focused investments in health care and other priorities, while boosting economic growth with an effective, fiscally responsible stimulus plan. The Democratic budget achieved balance in 2010 — sooner than either the House or the Senate budgets. In contrast, the Republican budgets support the President's irresponsible tax cuts (the Senate resolution to a slightly lesser degree than the House), and so must cut key services, fail to make adequate investments in health care and other priorities, and omit any effective economic growth plan — all to try to pay for their oversized tax cuts.

Tax Cuts and Budget Balance

Republican Budgets Pile Up Additional Public Debt and Increase the “Debt Tax” on Working Families — The House Republican budget increases publicly held debt by \$1.9 trillion over ten years, relative to a stand-pat budget. The Senate budget increases publicly held debt by \$1.7 trillion. Over ten years, federal spending for interest on publicly held debt — the “debt tax” that taxpayers must pay to service this added debt — amounts to about \$2.4 trillion in both Republican budgets, or over \$30,000 for every family of four in the United States.

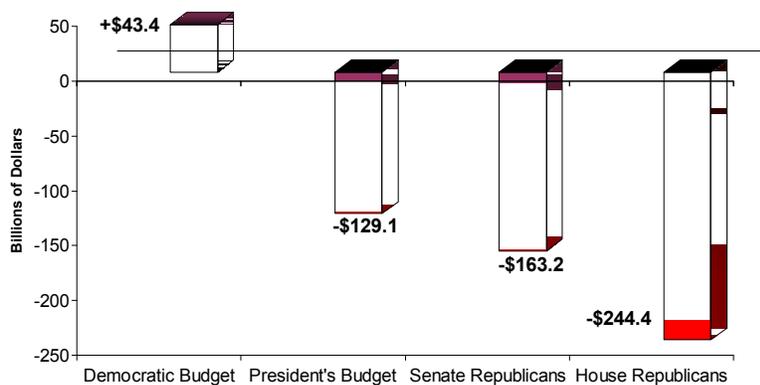
Republican Budgets Rely on Large, Unspecified Spending Cuts to Reach Ostensible Budget Balance — The House Republican budget claims to reach balance in 2012, while the Senate Republican budget claims balance in 2011. Both resolutions ostensibly achieve budget balance through formulaic spending cuts so large that they probably will not occur because they would weaken or eliminate vital services that the American people support. By contrast, House Democratic budget achieved surplus in 2010, while still funding important national priorities, because its tax cut was focused on stimulating the economy now, when it needs it, without worsening long-term deficits as the economy recovered.

House Republican Budget Includes Almost the Entire Bush Tax Cut; the Senate Budget Cuts Taxes Significantly Less — The House Republican budget calls for tax cuts totaling \$1.350 trillion for 2003 through 2013, only slightly smaller than the President's total tax cut of \$1.490 trillion. By contrast, the Senate Republican budget calls for a total tax cut of \$802 billion over the same period. Of these totals, the House budget provides reconciliation protections for \$726 billion, while the Senate budget provides reconciliation protections for only \$350 billion.

Domestic Appropriations

House Republican Budget Slashes Domestic Funding — The House Republican budget sacrifices funding for domestic priorities in order to accommodate \$1.4 trillion of the President’s newly proposed tax cuts. To do so, it cuts domestic discretionary funding 2.9 percent below the President’s budget every year. Over ten years, domestic funding in the House Republican budget is \$244.4 billion below the amount needed to maintain services at the 2003 level, \$115.3 billion below the amount in the President’s budget, and \$81.2 billion below the amount in the Senate Republican budget. Because House Republicans exempt homeland security programs from their cuts, their resulting cuts to domestic non-homeland security programs will be even greater. Programs subject to deep cuts include those related to education, veterans’ health care, the environment, and research.

Domestic Appropriations: Ten-Year Comparison with 2003 Purchasing Power



Prepared by the House Budget Committee Democratic Staff

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Democratic Budget Supports High-Priority Programs — In stark contrast, the House Democratic budget increased funding for domestic appropriations by \$43.4 billion over what is needed to keep pace with inflation over the next ten years. This is a total of \$287.8 billion more than the House Republican budget provides, \$206.5 billion more than the Senate Republican budget, and \$172.5 billion more than the President. The funding in the Democratic budget was sufficient to provide additional funds for important domestic priorities such as keeping our homeland secure, educating America’s children, providing health care to veterans, maintaining an economic safety net for America’s most vulnerable populations, and protecting the environment and public health.

Homeland Security

House Republican Budget Mirrors President's Flat Homeland Security Budget — House Republicans state that their budget fully funds the President's request for homeland security. The President's budget includes a total of \$41.3 billion for all homeland security activities for 2004, including mandatory, discretionary, and fee-funded activities. This is \$312 million more than the Administration's estimated request for 2003 — the most current comparable numbers available. This is a nominal increase of 0.8 percent, and at best keeps pace with the amount needed to maintain purchasing power at the level of the President's 2003 request.

From 2003-2013, the Democratic budget offered in the House provided \$34 billion more than the House Republican budget for homeland security — \$10 billion to the states in 2003, and an additional \$24 billion — at least \$2 billion per year — above the House Republican budget to improve homeland security over the ten years from 2004-2013.

Senate Budget Adds Modest Additional Funding — Like the House Republican budget, the budget resolution reported by the Senate Budget Committee matched the President's budget for homeland security. During floor consideration, the Senate adopted two amendments adding funding for homeland security. One amendment, sponsored by Senator Cochran, added \$3.5 billion for 2003 to accommodate supplemental funding for homeland security. A second amendment, sponsored by Senator Hollings, added a total of \$2 billion for 2004 and 2005 to enhance port security. The funding in this amendment was offset by a \$2 billion unspecified cut elsewhere in the budget.

The Senate rejected a number of other amendments offered by Democrats that would have added additional funding for homeland security. The two amendments accepted in the Senate total \$5.5 billion (with an unspecified offsetting cut of \$2 billion), considerably less than the \$34 billion in the Democratic budget offered in the House.

Paying for the War in Iraq

Senate Resolution Contains Reserve Fund for War in Iraq — The Administration refused to provide the Congress with any information about the likely costs of a war in Iraq until the President submitted his \$74.7 billion supplemental request on March 25 — after the House had already approved the Republican budget resolution. The House Republican budget contains no provision for the cost of the war in Iraq. The Senate adopted Senator Feingold's amendment that reduces the proposed tax cuts by \$100 billion over ten years and sets that money aside to pay for the war and post-war reconstruction.

Medicare, Medicaid, and Public Health Programs

Republican Prescription Drug Plans: The Wrong Medicine for Seniors

Republican Budget Resolutions Provide Inadequate Funding for Medicare Prescription Drugs and Fail to Guarantee a Universal Benefit — Both the House and Senate Republican budgets match the President’s budget by including a \$400 billion reserve fund for a Medicare prescription drug benefit. This funding level is clearly inadequate. It barely covers the House Republicans’ plan from last year, which had large gaps in coverage and no set premium.

Furthermore, both the House and Senate budgets also follow the President’s lead by failing to guarantee a universal benefit available to all seniors. Neither the House nor the Senate rejected the President’s faulty concept of forcing seniors into private plans if they want to get a meaningful prescription drug benefit. In fact, 51 Senators voted against guaranteeing a prescription drug benefit available to all seniors on an equal basis.

House Democratic Budget Contained a Minimum of \$528 Billion for a Meaningful, Universal Prescription Drug Benefit — The House Democratic budget provided a minimum of \$528 billion for a Medicare prescription drug benefit — \$128 billion more than the House and Senate Republican budgets and the President. However, this was a *minimum* funding level. The Democratic budget also gave the Ways and Means Committee latitude to supply additional funds for prescription drugs. Furthermore, the House Democratic budget guaranteed a defined benefit administered through a stable delivery system and available to *all beneficiaries*, regardless of where they lived or whether they chose to stay in traditional Medicare.

Medicare and Medicaid

House Republican Budget Cuts Medicaid by \$93 Billion — The House Republican budget requires \$107 billion in cuts from the Committee on Energy and Commerce. The bulk of these cuts will certainly fall to Medicaid. In fact, the underlying numbers in the budget resolution recommend a \$93 billion cut to Medicaid, which could mean eliminating eligibility or cutting benefits for any of the 51.2 million seniors, children, adults and disabled individuals who rely upon the program. Neither the House Democratic budget, the Senate Republican budget, nor the President’s budget requires these Medicaid spending cuts. In fact, 79 Senators recently signed a letter expressing opposition to any Medicaid cuts in the budget resolution.

Republican Budget May Still Require Medicare Cuts — While the Republican budget seemingly retreats from its earlier, mistaken call for Medicare cuts, it still requires Ways and Means to cut \$62 billion over ten years and Energy and Commerce to cut \$107 billion over ten years. *Nothing in the budget protects Medicare against cuts by those Committees.* Since both

Committees may be hard pressed to find those cuts in their remaining mandatory programs, which mainly consist of welfare programs at Ways and Means and Medicaid at Energy and Commerce, those Committees may still need to look to Medicare to fulfill their targets for spending cuts.

Republicans Dismantle Medicaid's Guarantee of Health Care for Low-Income Individuals —

Both the House and Senate Republican budgets, as well as the President's budget, abdicate responsibility for health care coverage for low-income populations by allowing states to block-grant Medicaid and the State Children's Health Insurance Program (CHIP). This radical structural change tempts states with more funding now in exchange for reduced funding down the road, which will likely lead to cuts in benefits and eligibility restrictions. The block grant effectively ends the CHIP program and ends the federal entitlement to health care for 14 million people.

In contrast, the House Democratic budget protected the Medicaid program and provided \$10 billion in real fiscal relief to state Medicaid programs *this year*.

Other Health Issues

Senate Provides \$88 Billion for the Uninsured — The Senate adopted a Kennedy amendment to increase the reserve fund to provide health insurance for the uninsured to \$88 billion, including tax deductions for the purchase of health insurance for people lacking employer-sponsored coverage. The House Republican budget includes no such reserve fund for the uninsured.

Senate Provides \$4.7 Billion More Than House for Appropriated Health Programs in 2004 —

The Senate Republican budget provides \$52.7 billion for appropriated health programs in 2004. This funding level for 2004 is \$4.6 billion higher than in the House Republican budget and \$3.1 billion higher than in the President's budget. However, over ten years the Senate still provides \$6.8 billion less than the amount needed to maintain purchasing power at the 2003 level. Appropriated health programs include anti-bioterrorism activities, biomedical research, and most direct health care services.

Veterans

House Republican Budget Cuts \$28.3 Billion In Veterans' Benefits and Health Care — The House Republican resolution cuts appropriations for veterans' health care and direct spending for veterans' benefits by a total of \$28.3 billion over ten years, compared to the amount needed to maintain purchasing power at the 2003 level. The House Republican budget provides \$22.0 billion less than the Senate Republican budget, \$30.3 billion less than the House Democratic budget, and \$22.8 billion less than the President's budget.

**Funding for Veterans' Programs
Relative to CBO's March Baseline, 2004-2013**
(budget authority, billions of dollars)

	President	House Republicans	Senate Republicans
Discretionary	-5.3	-14.2	-6.2
Mandatory	-0.2	-14.2	-0.2
Total	-5.5	-28.3	-6.4

** Numbers may not add due to rounding.*

Over half the House Republican budget's cuts are required by reconciliation instructions directing the Veterans' Affairs Committee to make unspecified reductions in veterans' benefits to root out "waste, fraud, and abuse". The Disabled American Veterans described the House Republican approach in the following terms:

Has Congress no shame? Is there no honor left in the hallowed halls of our government that you choose to dishonor the sacrifices of our nation's heroes and rob our programs - health care and disability compensation - to pay for tax cuts for the wealthy?
(March 17, 2003).

The Senate Republican budget makes only minor adjustments to mandatory veterans programs and contains no reconciliation instructions.

Even though veterans funding in the Senate Republican budget far exceeds that in the House Republican budget over ten years, the Senate's budget nonetheless is \$6.4 billion below the level needed to keep up with inflation. Because of their insistence on massive tax cuts, the President's budget, the House Republican budget, and the Senate Republican budget all reduce spending for veterans below the levels needed to maintain current law benefits and current levels of purchasing power for health care. By contrast, only the House Democratic budget would have provided funding necessary to honor our existing commitments to veterans in all ten years.

Education

House Republican Budget Drastically Cuts Education Programs — The House Republican budget cuts appropriations by 3 percent below the President's levels every year. Over ten years, House Republicans cut appropriations for education, training, and social service programs by \$38.5 billion below the amount needed to maintain purchasing power at the 2003 level. In

addition, the House Republican budget cuts mandatory spending for education programs by requiring the Education and the Workforce Committee to find \$9.4 billion in savings over ten years from its mandatory programs, which are primarily school lunches and student loans.

- ***Denies Meals to Millions of Children*** — In just 2004, the cut in mandatory spending will push nearly a half of a million eligible poor children out of child nutrition programs - and this most likely underestimates the number of children who would be without a school breakfast or school lunch every day. To achieve reductions in funding of even half the magnitude called for over ten years would deny even more eligible poor children access to school nutrition programs in order to pay for irresponsible and massive tax cuts for the wealthy.
- ***Cuts Aid for Higher Education*** — For 2004, the House Republican budget cuts the maximum Pell Grant from the current \$4,050 back to \$4,000, the level of the maximum award in 2002. In addition, if the Education and the Workforce Committee spreads half of its required cut in mandatory spending to the student loan program, as many as 8 million students in the 2004 school year, and more than 80 million students over ten years, could lose essential college financial assistance. This Republican cut could force students to pay an additional \$340 in up-front fees on their loans just when the students are struggling to pay for tuition, books, and living costs.
- ***Cuts Education Appropriations*** — The House Republican budget cuts education appropriations below the level in the President's budget every year for ten years. Since the President's 2004 budget freezes discretionary funding for the Department of Education at the 2003 enacted level of \$53.1 billion (which is a cut of \$594 million below the amount needed to maintain purchasing power), that means the House Republican budget cuts even deeper into education funding. Since the President's budget cut \$1.2 billion from programs under the No Child Left Behind Act, the House Republican budget must cut even more from these important programs.

Senate Republican Budget — For 2004, the Senate Republican budget does not make cuts to mandatory education programs and provides \$9.6 billion more discretionary education funding than the House Republican budget and \$8.2 billion more than the President's budget. However, \$3.1 billion of that increase is offset by unspecified cuts elsewhere in the budget. The Senate Republican budget specifically increases funding for Impact Aid and raises the maximum Pell Grant to \$4,500 for 2004. It also increases funding above the 2003 enacted level by \$2.0 billion for special education state grants (of which \$970 million is offset as part of the total \$3.1 billion unspecified cut), by \$1 billion for Title I, and by \$2.0 billion for programs under the No Child Left Behind Act.

Working Families and the Safety Net

House Republicans Cut \$1.3 Billion More from Appropriated Programs than the Senate —

The House Republican budget resolution slashes funding for housing and other annually appropriated income security programs in 2004 by \$4.0 billion, or 8.3 percent, below the amount necessary to maintain purchasing power at the 2003 level. Four programs account for 85 percent of appropriated income security spending: low-income housing, child care block grants, low-income home energy assistance (LIHEAP), and nutritional assistance for women, infants, and children (WIC). The funding cut in the House Republican budget, if applied across the board, translates into at least 75,000 poor families losing housing assistance in 2004.

The Senate Republican budget provides \$1.3 billion more than the House for these programs but still falls \$2.7 billion short of the amount necessary to maintain current services, closely tracking the President's budget. The House Democratic budget provided sufficient funding to maintain current service levels in these programs.

House Republicans Slash the Safety Net to Pay for Reckless Tax Cuts — The House Republican budget requires substantial cuts to mandatory programs that support working families and provide a safety net for low-income individuals, including the aged and disabled. The House Republican budget requires the Ways and Means Committee to cut \$61.5 billion in direct spending over the next ten years from programs in its jurisdiction. The major income-support programs likely to be affected, in addition to Medicare, include Supplemental Security Income (SSI), the Earned Income Tax Credit, Temporary Assistance for Needy Families (TANF), Unemployment Insurance, and child care.¹ In addition, the House Republican budget requires the Agriculture Committee to cut \$18.6 billion in direct spending over ten years. The Food Stamp program accounts for more than half of the Agriculture Committee's direct spending.

The House Republican budget unrealistically insists that these cuts can be made by targeting "waste, fraud, and abuse," ignoring recent management and statutory improvements in programs such as SSI. In contrast, the slightly less unrealistic Senate Republican budget maintains safety-net programs at their current levels. The President's budget freezes most welfare and child-care funding at current levels but does not otherwise make deep, across-the-board cuts to mandatory safety-net programs. The House Democratic budget not only maintained these programs, but it also provided \$10 billion more than the Republican House or Senate budgets in direct spending for child care over the next five years.

¹The House Budget Committee chairman indicated that he assumes no cuts to Unemployment Insurance, but this assumption is not binding on the Ways and Means Committee.

Transportation

Senate Budget Provides Far More Than House Budget for Highways and Transit — The House and Senate Republican budgets both provide more funding in total for highway and transit aid than the President's budget. However, the Senate Republican budget provides over \$60 billion more than the House Republican budget over the next six years, the likely time span of the upcoming transportation reauthorization bill.

Highway and Transit Funding, 2004-2009

(budget authority, billions of dollars)

	President	House Republicans	Senate Republicans
Federal-aid Highways ²	190.7	207.7	255
Mass Transit	45.7	43.1	56.5
Total	236.4	250.8	311.5

Over 2004-2009, the President's budget provides \$190.7 billion in budget authority for federal-aid highways and \$45.7 billion for mass transit. The House Republican budget provides \$207.7 billion for federal-aid highways and \$43.1 billion in budget authority for mass transit.

As approved by the Senate Budget Committee, the Senate Republican budget provided roughly the same amounts as the House Republican budget. However, during floor debate, the Senate overwhelmingly passed an amendment to boost funding to \$255 billion for federal-aid highways and to \$56.5 billion for mass transit. The amendment brought the total difference in funding levels between the House and Senate Republican budgets to \$60.7 billion over the next six years.

The House Republican budget does include a provision allowing extra spending if the coming transportation reauthorization bill increases receipts into the Highway Trust Fund. The Senate Republican budget contains a similar provision, but with the floor amendment it now contains base funding levels that are significantly higher than those in the House Republican budget. The Highway Trust Fund cannot support the higher funding levels in the Senate Republican budget unless Congress increases receipts into the trust fund or devotes general funds to the highway and transit programs.

² The funding levels for federal-aid highways include \$100 million annually for the federal-aid emergency relief program and \$639 million annually for the minimum guarantee.

2004 BUDGET PLANS

2004 - 2013 Totals, Dollars in Billions

	President	House	Senate
Deficits/Surplus	-1,820	-982	-452
<i>Deficit Difference From President</i>		838	1,368
Tax Cuts	1,455	1,314	776
2003 Tax Cuts	35	36	26
Discretionary Funding /1			
Defense	264	264	160
Domestic	-129	-244	-163
Priority Programs /2			
Prescription Drugs	400	400	400
Medicaid & Other Health /3	45	-125	96
Veterans	-6	-27	-7
Education /4	-27	-53	27
Low-Income Programs /5	-32	-169	7
Interest	2,599	2,430	2,069

Table Does Not Represent the Total of All Resources in the Budget

/1 Budget Authority Above/Below Current Services

/2 Total Outlays Above/Below Current Services, By Budget Function

/3 Discretionary Budget Authority and Mandatory Outlays For Function 550. Totals Are Made Comparable By Using OMB Scoring For Medicaid Block Grant Proposal

/4 Function 500 Excluding Re-Employment Accounts

/5 Function 600 Excluding Outlays For Refundable Tax Cuts

**Reconciliation Instructions in the Manager's Amendment
to the 2004 House Republican Resolution**

(outlays in millions of dollars)

	2004	2004-2008	2004-2013
Agriculture	-600	-5,532	-18,618
Education and Workforce	-261	-2,596	-9,421
Energy and Commerce	-2,397	-25,265	-107,359
Financial Services	-62	-678	-2,864
Government Reform	-1,072	-10,371	-38,319
House Administration	-4	-26	-88
International Relations	-157	-1,293	-4,468
Judiciary	-86	-727	-2,404
Resources	-40	-345	-1,105
Science	-1	-6	-15
Transportation and Infrastructure	-114	-1,099	-3,702
Veterans Affairs	-449	-4,221	-14,626
Ways and Means	-1,971	-17,704	-61,547
Totals	-7,214	-69,863	-264,536